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Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)

Accountants' Reports and Financial Statements

September 30, 2012 and 2011

BKD LLP
CPAs & Advisors

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
September 30, 2012 and 2011

Contents

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Commissioners
Hospital Service District No. 1
A component unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
New Iberia, Louisiana

We have audited the accompanying balance sheets of Hospital Service District No. 1, a component unit of Iberia Parish, State of Louisiana (d/b/a Iberia Medical Center) (the Medical Center) as of September 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1, a component unit of Iberia Parish, State of Louisiana (d/b/a Iberia Medical Center) as of September 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2013, on our consideration of the Medical Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The other information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

February 28, 2013

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Management's Discussion and Analysis
Years Ended September 30, 2012 and 2011

Introduction

This management's discussion and analysis of the financial performance of Hospital Service District No. 1, a component unit of Iberia Parish, State of Louisiana (d/b/a Iberia Medical Center) (the Medical Center) provides an overview of the Medical Center's financial activities for the years ended September 30, 2012 and 2011 It should be read in conjunction with the accompanying financial statements of the Medical Center.

Financial Highlights

- Cash and investments decreased by $1,745,000 or 10.4% in 2012 compared to 2011 and increased by $397,000 or 2.4% in 2011 compared to 2010.
- The Medical Center's net assets increased in each of the past two years with a $2,910,000 or 11.0% increase in 2012 and a $2,176,000 or 9.0% in 2011.
- The Medical Center reported operating income in 2012 of $2,966,000 and 2011 of $2,635,000, an increase of $331,000 or 12.6%. The operating income in 2011 increased by $1,175,000 or 80.5% compared to the operating income reported in 2010.
- Net nonoperating expenses decreased by $412,000 in 2012 compared to 2011 and increased $360,000 compared to 2010.

Using This Annual Report

The Medical Center's financial statements consist of three statements – a balance sheet; a statement of revenues, expenses and changes in net assets; and a statement of cash flows. These statements provide information about the activities of the Medical Center, including resources held by the Medical Center but restricted for specific purposes by creditors, contributors, grantors or enabling legislation The Medical Center is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about any hospital's finances is, "Is the entity as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Medical Center's resources and its activities in a way that helps answer this question These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Medical Center's net assets and changes in them. The Medical Center's total net assets, the difference between assets and liabilities, is one measure of the Medical Center's financial health or financial position. Over time, increases or decreases in the Medical Center's net assets are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Medical Center's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Medical Center.

The Statement of Cash Flows

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Medical Center's Net Assets

The Medical Center's net assets are the difference between its assets and liabilities reported in the balance sheet. The Medical Center's net assets increased by $2,910,000 (11.0%) in 2012 over 2011 and by $2,176,000 (9.0%) in 2011 over 2010, as shown in Table 1.

Table 1: Assets, Liabilities and Net Assets

	2012	2011	2010
Assets			
Patient accounts receivable, net	$ 6,450,880	$ 6,673,051	$ 6,359,848
Other current assets	15,220,082	14,458,814	13,149,172
Capital assets, net	28,338,161	27,420,098	27,665,092
Other noncurrent assets	3,278,938	5,531,124	6,639,210
Total assets	$ 53,288,061	$ 54,083,087	$ 53,813,322
Liabilities			
Long-term debt	$ 13,321,419	$ 15,877,123	$ 18,068,060
Other current and noncurrent liabilities	10,581,417	11,730,282	11,445,357
Total liabilities	23,902,836	27,607,405	29,513,417
Net Assets			
Invested in capital assets, net of related debt	15,092,641	13,071,136	12,181,731
Restricted expendable	2,990,068	2,989,153	2,985,360
Unrestricted	11,302,516	10,415,393	9,132,814
Total net assets	29,385,225	26,475,682	24,299,905
Total liabilities and net assets	$ 53,288,061	$ 54,083,087	$ 53,813,322

Operating Results and Changes in the Medical Center's Net Assets

In 2012, the Medical Center's net assets increased by $2,910,000 or 11.0%, as shown in Table 2. This increase is made up of several different components, primarily a decrease in operating expenses of $2,129,000 (3.7%) in 2012 as compared to 2011. There was a 3% increase in operating expenses between 2011 and 2010 of $1,609,000. The Medical Center's change in net assets increased from $1,353,000 in 2010 to $2,176,000 in 2011, an increase of 60.8%.

Table 2: Operating Results and Changes in Net Assets

	2012	2011	2010
Operating Revenues			
Net patient service revenue	$ 55,111,560	$ 56,689,523	$ 55,776,846
Other operating revenues	3,059,379	3,279,528	1,408,037
Total operating revenues	58,170,939	59,969,051	57,184,883
Operating Expenses			
Salaries, wages and employee benefits	30,326,081	31,515,673	31,405,697
Supplies, professional fees and purchased services	22,428,383	23,095,313	21,582,539
Depreciation and amortization	2,462,171	2,729,968	2,687,712
Other operating expenses	(11,678)	(7,000)	48,985
Total operating expenses	55,204,957	57,333,954	55,724,933
Operating Income	2,965,982	2,635,097	1,459,950
Nonoperating Revenues (Expenses)			
Investment return	52,276	65,377	263,577
Interest expense	(671,645)	(752,783)	(663,424)
Legal settlement	329,500	-	-
Income from investments in joint ventures	218,935	204,539	276,559
Total nonoperating revenues (expenses)	(70,934)	(482,867)	(123,288)
Excess of Revenues Over Expenses	2,895,048	2,152,230	1,336,662
Capital Grants and Gifts	14,495	23,547	16,105
Increase in Net Assets	$ 2,909,543	$ 2,175,777	$ 1,352,767

Operating Income

The first component of the overall change in the Medical Center's net assets is its operatıng income or loss - generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the Medical Center has reported an operating gain. This is consistent with the Medical Center's management's goal of operatıng the Medical Center in an efficient manner

The operating income increased in 2012 by $331,000 or 12.6% as compared to 2011. The primary components of the increased operating income are shown below·

- A decrease in net patient service revenue of $1,578,000 or 2 8%
- A decrease in other operating revenues of $220,000 or 6.7%
- A decrease ın salaries, wages and employee benefits of $1,190,000 or 3.8%
- A decrease in supplies and other costs of $667,000 or 2.9%

Net patient servıce revenue decreased partially due to decreases in patient activity, decreases in the payments received under Louisiana Medicaid Upper Payment Lımit Programs and Medicaid payment cuts. The Medical Center's admissions decreased in 2012, with total admissıons in 2012 of 3,649 compared to 4,695 in 2011, a decrease of 22 3%.

The other operating revenue decrease consists primarıly of electronic health record funding received from Medicare and Medıcaıd. Funds received from Medicare and Medicaid during 2012 totaled $825,000 and $417,000 compared to funds received in 2011 of $1,272,000 and $683,000, respectively

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income and interest expense. Interest expense in 2012 of $671,645 decreased 10.8% compared to 2011 expense of $752,783. Nonoperating revenues also include a legal settlement durıng 2012 for $330,000.

Capital Grants and Gifts

The Medical Center occasionally receives both capital and operating grants from various state and federal agencıes for specıfic programs. The Medical Center receıved approximately $14,500 and $24,000 in capıtal grants in 2012 and 2011, respectively.

The Medical Center's Cash Flows

Changes in the Medical Center's cash flows are consıstent with changes ın operating income and nonoperating revenues and expenses for 2012, 2011 and 2010, dıscussed earlıer.

Capital Assets and Debt Administration

Capital Assets

At the end of 2012 and 2011, the Medical Center had approximately $28,338,000 and $27,420,000, respectively, invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the financial statements. In 2012 and 2011, the Medical Center purchased new property and equipment costing $3,449,000 and $2,463,000, respectively.

Debt

At September 30, 2012 and 2011, the Medical Center had $15,951,000 and $18,469,000, respectively, in revenue bonds and capital lease obligations outstanding. The Medical Center's formal debt issuances and revenue bonds are subject to limitations imposed by state law.

Contacting the Medical Center's Financial Management

This financial report is designed to provide the Medical Center's patients, suppliers and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Medical Center Administration by telephoning 337.364 0441.

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Balance Sheets
September 30, 2012 and 2011

Assets

	2012	2011
Current Assets		
Cash and cash equivalents	$ 9,345,778	$ 7,039,958
Short-term investments	-	2,636,436
Restricted cash and investments – current	3,014,178	2,245,000
Patient accounts receivable, net of allowance; 2012 – $13,769,000, 2011 – $12,227,000	6,450,880	6,673,051
Other receivables	897,388	483,885
Supplies	1,290,419	1,353,406
Prepaid expenses and other	672,319	700,129
Total current assets	21,670,962	21,131,865
Noncurrent Cash and Investments		
Held under bond trust indenture	5,695,176	7,109,671
Less amount required to meet current obligations	(3,014,178)	(2,245,000)
	2,680,998	4,864,671
Capital Assets, Net	28,338,161	27,420,098
Other Assets		
Investment in joint ventures	423,798	461,175
Bond issue costs, net	174,142	205,278
	597,940	666,453
Total assets	$ 53,288,061	$ 54,083,087

Liabilities and Net Assets

	2012	2011
Current Liabilities		
Current maturities of long-term debt	$ 2,629,208	$ 2,592,358
Accounts payable	2,053,313	1,490,535
Accrued expenses	4,589,462	5,139,915
Estimated amounts due to third-party payers	1,309,434	2,507,474
Total current liabilities	10,581,417	11,730,282
Long-term Debt	13,321,419	15,877,123
Total liabilities	23,902,836	27,607,405
Net Assets		
Invested in capital assets, net of related debt	15,092,641	13,071,136
Restricted expendable	2,990,068	2,989,153
Unrestricted	11,302,516	10,415,393
Total net assets	29,385,225	26,475,682
Total liabilities and net assets	$ 53,288,061	$ 54,083,087

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2012 and 2011

	2012	2011
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2012 – $17,803,000, 2011 – $16,034,000	$ 55,111,560	$ 56,689,523
Other	3,059,379	3,279,528
Total operating revenues	58,170,939	59,969,051
Operating Expenses		
Salaries and wages	22,575,921	24,180,146
Employee benefits	7,750,160	7,335,527
Purchased services and professional fees	5,994,495	5,814,984
Supplies and other	15,515,018	16,277,144
Insurance	918,870	1,003,185
Depreciation and amortization	2,462,171	2,729,968
(Gain) loss on sale of property and equipment	(11,678)	(7,000)
Total operating expenses	55,204,957	57,333,954
Operating Income	2,965,982	2,635,097
Nonoperating Revenues (Expenses)		
Investment return	52,276	65,377
Interest expense	(671,645)	(752,783)
Legal settlement	329,500	-
Income from investments in joint ventures	218,935	204,539
Total nonoperating revenues (expenses)	(70,934)	(482,867)
Excess of Revenues Over Expenses Before Capital Grants and Gifts	2,895,048	2,152,230
Capital Grants and Gifts	14,495	23,547
Increase in Net Assets	2,909,543	2,175,777
Net Assets, Beginning of Year	26,475,682	24,299,905
Net Assets, End of Year	$ 29,385,225	$ 26,475,682

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Statements of Cash Flows
Years Ended September 30, 2012 and 2011

	2012	2011
Operating Activities		
Receipts from and on behalf of patients	$ 54,135,691	$ 57,498,177
Payments to suppliers and contractors	(22,099,159)	(24,554,878)
Payments to employees	(30,846,060)	(31,565,290)
Other receipts, net	2,645,876	4,002,512
Net cash provided by operating activities	3,836,348	5,380,521
Capital and Related Financing Activities		
Repayment of amounts due Iberia Parish under debt agreements	(2,249,167)	(2,147,051)
Proceeds from the sale of capital assets	102,118	-
Repayments of capital lease obligations	(378,451)	(515,619)
Interest paid on debt and capital lease obligations	(702,119)	(660,271)
Purchase of capital assets	(3,057,130)	(2,051,584)
Legal settlement	329,500	-
Proceeds from capital grants and gifts	14,495	23,547
Net cash used in capital and related financing activities	(5,940,754)	(5,350,978)
Investing Activities		
Interest and dividends on investments	52,276	65,377
Distributions received from joint ventures	307,019	301,799
Net sales of investments	2,630,127	2,308,922
Net cash provided by investing activities	2,989,422	2,676,098
Increase in Cash and Cash Equivalents	885,016	2,705,641
Cash and Cash Equivalents, Beginning of Year	14,155,938	11,450,297
Cash and Cash Equivalents, End of Year	$ 15,040,954	$ 14,155,938

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Statements of Cash Flows (Continued)
Years Ended September 30, 2012 and 2011

	2012	2011
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	$ 9,345,778	$ 7,039,958
Cash and cash equivalents in short-term investments	-	6,309
Cash and cash equivalents in restricted cash and investments	5,695,176	7,109,671
Total cash and cash equivalents	$ 15,040,954	$ 14,155,938
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by Operating Activities		
Operating income	$ 2,965,982	$ 2,635,097
Depreciation	2,440,855	2,708,394
Amortization of bond issue costs	21,316	21,574
Gain on disposal of capital assets	(11,678)	(7,000)
Provision for uncollectible accounts	17,803,670	16,034,224
Changes in operating assets and liabilities		
Patient accounts receivable, net	(17,581,499)	(16,347,428)
Estimated amounts due from and to third-party payers	(1,198,040)	1,832,474
Accounts payable and accrued expenses	(240,665)	(1,573,145)
Other assets and liabilities	(363,593)	76,331
Net cash provided by operating activities	$ 3,836,348	$ 5,380,521
Supplemental Cash Flows Information		
Fixed asset additions in accounts payable	$ 283,464	$ 67,383
Capital lease obligations incurred for capital assets	$ 108,764	$ 337,434

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Notes to Financial Statements
September 30, 2012 and 2011

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Hospital Service District No. 1, a component unit of Iberia Parish, State of Louisiana (d/b/a Iberia Medical Center) (the Medical Center) is a 101 bed acute care medical center located in New Iberia, Louisiana. The Medical Center is a component unit of Iberia Parish (the Parish). The Parish appoints a nine-member Board of Commissioners who operate the Medical Center. The Medical Center primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Parish area.

Basis of Accounting and Presentation

The accompanying financial statements of the Medical Center have been prepared on the accrual basis of accounting using the economic resources measurement focus Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and parish appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific such as investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses The Medical Center first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available

The Medical Center prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Medical Center has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

Cash Equivalents

The Medical Center considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2012 and 2011, cash equivalents consisted primarily of certificates of deposit and money market accounts with brokers.

Risk Management

The Medical Center is exposed to various risks of loss from torts; theft of, damage to and destruction of assets, business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Medical Center is self-insured for a portion of its exposure to risk of loss from employee health claims. An annual estimated provision is accrued for the self-insured portion of employee health claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one-year or less at time of acquisition and nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Investment in Joint Ventures

The Medical Center holds a 20% interest in New Iberia Surgery Center, which provides outpatient surgery services to the community. This investment is carried on the equity method of accounting. The Medical Center also holds a 15% ownership interest in Acadiana Diagnostic Imaging, LLC, which is a provider of imaging services. This investment is accounted for using the cost method.

Patient Accounts Receivable

The Medical Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Medical Center provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method or market.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Medical Center:

Land improvements	15 – 25 years
Buildings and leasehold improvements	20 – 40 years
Equipment	3 – 20 years

The Medical Center capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized and incurred was:

	2012	2011
Total interest expense incurred on borrowings for project	$ 300,569	$ 317,524
Interest income from investment of proceeds of borrowings for project	(18,435)	(32,268)
Net interest cost capitalized	$ 282,134	$ 285,256
Interest capitalized	$ 300,569	$ 317,524
Interest charged to expense	671,645	752,783
Total interest incurred	$ 972,214	$ 1,070,307

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method

Compensated Absences

The Medical Center's policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Net Assets

Net assets of the Medical Center are classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Medical Center, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Medical Center provides charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

Income Taxes

As an essential government function of the Parish, the Medical Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Medical Center is subject to federal income tax on any unrelated business taxable income.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the American Recovery and Reinvestment Act of 2009, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Medical Center recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

In 2012, the Medical Center completed the second year requirements under both the Medicare and Medicaid programs and has recorded revenue of approximately $1,242,000, which is included in other revenue within operating revenues in the accompanying statement of revenues, expenses and changes in net assets In 2011, $1,955,000 in revenue was recorded after completing the first year requirements.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statement presentation. The reclassifications had no effect on the changes in financial position.

Note 2: Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates These payment arrangements include:

- **Medicare** – Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare administrative contractor.

- **Medicaid** – Inpatient services rendered to Medicaid program beneficiaries are paid based on prospectively determined rates. Outpatient services are paid under either a cost reimbursement methodology or using defined allowable charges. The Medical Center is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid administrative contractor.

Approximately 52% and 50%, respectively, of net patient service revenue is from participation in the Medicare and state sponsored Medicaid programs for the years ended September 30, 2012 and 2011. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Note 3: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it The Medical Center's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or other qualified investments. At September 30, 2012 and 2011, the Medical Center's deposits were either insured or collateralized in accordance with state law.

Investments

The Medical Center may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

At September 30, 2012, the Medical Center had no investments. At September 30, 2011, the Medical Center had the following investments and maturities:

	September 30, 2011				
		Maturities in Years			
Type	Fair Value	Less Than 1	1 – 5	6 – 10	More Than 10
Commercial paper	$ 78,367	$ -	$ 78,367	$ -	$ -
Money market mutual funds	2,551,760	2,551,760	-	-	-
	$ 2,630,127	$ 2,551,760	$ 78,367	$ -	$ -

- **Interest Rate Risk** – As a means of limiting exposure to fair value losses arising from rising interest rates, the Medical Center's investments are limited to highly liquid investments or marketable U.S Treasury and U.S. agency obligations. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

- **Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Medical Center limits this risk by investment in obligations of the U S. government or other investments authorized by statute.

- **Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Medical Center will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party The Medical Center's policy with respect to custodial risk is based on Louisiana statutes.
- **Concentration of Credit Risk** – Due to the limitations on the types of investments allowed by the Medical Center's investment policy, the Board of Directors has elected not to limit the amount of assets held by category.

Summary of Carrying Values

The carrying values of deposits and investments shown on the previous page are included in the balance sheets as follows:

	2012	2011
Carrying value		
Deposits	$ 15,040,954	$ 14,155,938
Investments	-	2,630,127
	$ 15,040,954	$ 16,786,065

Included in the following balance sheets captions:

	2012	2011
Cash and cash equivalents	$ 9,345,778	$ 7,039,958
Restricted cash and short-term investments	3,014,178	4,881,436
Noncurrent cash and investments	2,680,998	4,864,671
	$ 15,040,954	$ 16,786,065

Investment Income

Investment income for the years ended September 30, 2012 and 2011, consisted of interest and dividend income totaling $52,276 and $65,377, respectively

Note 4: Patient Accounts Receivable

The Medical Center grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at September 30, 2012 and 2011, consisted of the following

	2012	2011
Medicare	$ 1,823,592	$ 1,796,248
Medicaid	304,064	335,567
Other third-party payers	3,267,053	2,101,363
Patients	14,825,525	14,666,869
	20,220,234	18,900,047
Less allowance for uncollectible accounts	13,769,354	12,226,996
	$ 6,450,880	$ 6,673,051

Note 5: Capital Assets

Capital assets activity for the years ended September 30, 2012 and 2011, was as shown below:

	2012				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 1,474,357	$ -	$ -	$ -	$ 1,474,357
Land improvements	372,935	-	-	-	372,935
Buildings and leasehold improvements	36,101,070	564,239	-	2,407,889	39,073,198
Equipment	23,904,738	749,510	(152,932)	33,126	24,534,442
Construction in progress	1,049,505	2,135,609	-	(2,441,015)	744,099
	62,902,605	3,449,358	(152,932)	-	66,199,031
Less accumulated depreciation	(35,482,507)	(2,440,855)	62,492	-	(37,860,870)
Capital assets, net	$ 27,420,098	$ 1,008,503	$ (90,440)	$ -	$ 28,338,161

	2011				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 1,474,357	$ -	$ -	$ -	$ 1,474,357
Land improvements	371,935	1,000	-	-	372,935
Buildings and leasehold improvements	32,610,709	60,219	-	3,430,142	36,101,070
Equipment	22,971,061	854,464	-	79,213	23,904,738
Construction in progress	3,011,143	1,547,717	-	(3,509,355)	1,049,505
	60,439,205	2,463,400	-	-	62,902,605
Less accumulated depreciation	(32,774,113)	(2,708,394)	-	-	(35,482,507)
Capital assets, net	$ 27,665,092	$ (244,994)	$ -	$ -	$ 27,420,098

Note 6: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at September 30, 2012 and 2011, consisted of:

	2012	2011
Payable to suppliers and contractors	$ 2,053,313	$ 1,490,535
Payable to employees (including payroll taxes and benefits)	3,912,302	4,220,080
Other	677,160	919,835
	$ 6,642,775	$ 6,630,450

Note 7: Medical Malpractice Claims

The Medical Center has joined together with other providers of health care services to form the Louisiana Hospital Association Medical Malpractice and General Liability Trust Fund, a risk pool (the Pool) currently operating as a common risk management and insurance program for its members The Medical Center purchases medical malpractice insurance from the Pool under a claims-made policy. The Medical Center pays an annual premium to the Pool for its torts insurance coverage The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of stop-loss amounts

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Medical Center's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 8: Employee Health Claims

Substantially all of the Medical Center's employees and their dependents are eligible to participate in the Medical Center's employee health insurance plan. The Medical Center is self-insured for health claims of participating employees and dependents up to an annual stop-loss limit between $70,000 and $2,000,000 per employee. Commercial stop-loss insurance coverage is purchased for claims in excess of these amounts A provision is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Medical Center's estimate will change by a material amount in the near term.

Activity in the Medical Center's accrued employee health claims liability during 2012 and 2011, is summarized as follows:

	2012	2011
Balance, beginning of year	$ 470,000	$ 660,000
Current year claims incurred and changes in estimates for claims incurred in prior years	4,267,872	2,789,819
Claims and expenses paid	(3,976,690)	(2,979,819)
Balance, end of year	$ 761,182	$ 470,000

Note 9: Long-term Obligations

The following is a summary of long-term obligation transactions for the Medical Center for the years ended September 30, 2012 and 2011:

	2012				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable	$ 17,817,500	$ -	$ 2,249,167	$ 15,568,333	$ 2,345,000
Capital lease obligations	651,981	108,764	378,451	382,294	284,208
Total long-term obligations	$ 18,469,481	$ 108,764	$ 2,627,618	$ 15,950,627	$ 2,629,208

	2011				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable	$ 19,964,551	$ -	$ 2,147,051	$ 17,817,500	$ 2,245,000
Capital lease obligations	830,166	337,434	515,619	651,981	347,358
Total long-term obligations	$ 20,794,717	$ 337,434	$ 2,662,670	$ 18,469,481	$ 2,592,358

Revenue Bonds Payable

Revenue bonds payable consist of the various series of the Iberia Parish, State of Louisiana Hospital Revenue Bonds, as shown below:

Bond Series	Original Issue Amount	Interest Rate	Final Maturity	Balance September 30, 2012	Balance September 30, 2011
Series 2005A	$ 7,900,000	4.15%	May 2016	$ 3,980,000	$ 4,925,000
Series 2005C	$ 4,365,000	3 90%	May 2016	2,170,000	2,615,000
Series 2005D	$ 4,500,000	5.75%	May 2016	613,333	767,500
Series 2005E	$ 2,200,000	4.05%	May 2017	1,575,000	1,735,000
Series 2008	$ 2,200,000	4 05%	May 2017	1,435,000	1,640,000
Series 2009A	$ 4,400,000	5.30%	May 2024	3,870,000	4,090,000
Series 2009B	$ 2,200,000	4.60%	May 2024	1,925,000	2,045,000
				$ 15,568,333	$ 17,817,500

The bonds are payable in semiannual installments of principal and interest through final maturity. The bonds are secured by the net revenues of the Medical Center, a mortgage on the Medical Center's property and assets restricted under the bond agreement. The bonds are also secured by a pledge of the general revenues of the Parish should the Medical Center's revenues and other security not be sufficient to pay obligations under the bond agreements.

The bond agreements require that certain funds be established to pay debt service on the bonds. Accordingly, these funds are included as restricted expendable assets under bond agreements. The indenture agreement also requires the Medical Center to comply with certain restrictive covenants, including minimum insurance coverage and maintaining a historical debt-service coverage ratio of at least 1.20 to 1.00. The agreements also require the Parish to maintain days cash on hand in excess of 90 days of expense.

The debt service requirements as of September 30, 2012, are as follows:

Year Ending September 30,	Total to be Paid	Principal	Interest
2013	$ 3,014,178	$ 2,345,000	$ 669,178
2014	3,021,844	2,454,167	567,677
2015	3,025,364	2,564,166	461,198
2016	2,946,777	2,599,167	347,610
2017 – 2021	4,674,582	3,815,833	858,749
2022 – 2024	1,952,373	1,790,000	162,373
	$ 18,635,118	$ 15,568,333	$ 3,066,785

Capital Lease Obligations

The Medical Center has entered into various lease agreements for equipment, which are accounted for as capital leases. Assets under capital leases at September 30, 2012 and 2011, totaled $3,933,000 and $3,893,000, respectively, net of accumulated depreciation of $3,780,000 and $3,603,000, respectively. The following is a schedule by year of future minimum lease payments under capital lease, including interest at rates of 5.30% to 6.95%, together with the present value of the future minimum lease payments as of September 30, 2012:

Years Ending September 30,	
2013	$ 297,138
2014	94,267
2015	6,394
Total minimum lease payments	397,799
Less amount representing interest	(15,505)
Present value of future minimum lease payments	$ 382,294

Note 10: Operating Leases

Operating leases for medical and office equipment expire in various years through 2013. These leases generally contain renewal options for periods ranging from one to three years and require the Medical Center to pay all executory costs (property taxes, maintenance and insurance). Rental payments include minimum rentals, plus contingent rentals based on revenues.

Future minimum lease payments at September 30, 2012, were:

2013	$ 351,973
2014	79,971
2015	79,971
2016	53,016
2017	2,546
	$ 567,477

Minimum future rentals receivable under noncancellable operating leases at September 30, 2012, were

2013	$ 689,289
2014	621,816
2015	433,566
2016	204,723
2017	135,724
	$ 2,085,118

Rental expense (income) for all operating leases consisted of:

	2012	2011
Minimum rentals	$ 742,642	$ 786,303
Sublease rental income	(842,793)	(708,184)
	$ (100,151)	$ 78,119

Note 11: Pension Plan

Plan Description

The Medical Center contributes to the Parochial Employees' Retirement System (PERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the state of Louisiana (the State). PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS is comprised of two distinct plans – Plan A and Plan B – with separate assets and benefit provisions. Employees of the Medical Center are members of Plan A. Benefit provisions are established by state law and may be amended only by the State Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to PERS at P O. Box 14619, Baton Rouge, Louisiana, 70898, or by calling 225.928.1361.

Funding Policy

Plan members are required to contribute 9 50% of their annual covered salary and the Medical Center is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll for 2012 and 2011. The contribution requirements of plan members and the Medical Center are established and may be amended by the PERS Board of Trustees. The Medical Center's contributions to PERS for the years ended September 30, 2012, 2011 and 2010, were $3,129,000, $3,401,000 and $3,301,000, respectively, which equaled the required contributions for each year.

Note 12: Management Company

The Medical Center has a management contract with HealthTech Management Services (HealthTech), previously Brim Healthcare, Inc. In addition to annual management fees, the contract requires payment for the salaries and benefits of personnel provided by HealthTech. Total fees paid to HealthTech during the years ended September 30, 2012 and 2011, were approximately $785,000 and $708,000, respectively. The current contract expires September 30, 2017

Note 13: Significant Estimates and Contingencies

Litigation

In the normal course of business, the Medical Center is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Medical Center's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Medical Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Self-Insured Employee Health Care

Estimates related to the accrual for self-insured employee health claims are discussed in *Note 8*.

Note 14: Related Party Transactions

The Medical Center leases office space to New Iberia Surgery Center and Acadiana Diagnostic Imaging, LLC under operating leases with expiration dates of November 30, 2016 and May 31, 2013, respectively. Both leases have renewal options upon expiration. Amounts received under the lease agreements for the years ended September 30, 2012 and 2011, totaled $62,500 and $61,000, respectively.

The Iberia Parish Council, by a resolution adopted in November 2006, provides the Medical Center use of a building in Jeanerette for the purpose of providing rural health clinic services The resolution expires October 31, 2012. Rent expense recorded for the years ended September 30, 2012 and 2011 totaled $3,600 for both years.

The Medical Center purchased diagnostic imaging services from Acadiana Diagnostic Imaging, LLC during 2012 and 2011 totaling $91,400 and $107,200, respectively.

Note 15: Health Care Reform

The Patient Protection and Affordable Care Act (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible that the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional. The state of Louisiana has currently indicated it will not expand the Medicaid program, which may result in revenues from newly covered individuals not offsetting the Medical Center's reduced revenue from other Medicare/Medicaid programs.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is anticipated that it will have a negative impact on the Medical Center's net patient service revenue Additionally, it is possible that the Medical Center will experience payment delays and other operational challenges during PPACA's implementation.

Note 16: Subsequent Event

Effective November 1, 2012, the Medical Center sold its home health operations to Acadian Homecare of New Iberia, LLC for $200,000. The home health operations represented approximately $362,000 and $588,000, respectively, of net patient service revenue for the years ended September 30, 2012 and 2011.

Other Information

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Schedule of Insurance Policies
September 30, 2012

Covered Risks	Insurer	Coverage Description	Coverage Amount	Expiration Date
Malpractice and General Liability	Louisiana Hospital Association	Professional Liability	$ 1,500,000	11/1/2012
		Umbrella	4,500,000	11/1/2012
		General Liability	2,000,000	11/1/2012
Louisiana Patient Compensation	Louisiana Hospital Association	Louisiana Patient Compensation	1,000,000	11/1/2012
Workers' Compensation	Louisiana Hospital Association	Coverage A	Statutory	1/1/2013
		Coverage B	1,000,000	1/1/2013
Directors, Officers and Employment Practices	Regions/Traveler's	Liability	3,000,000	1/1/2013
Property	Regions/CNA	Property Damage	113,000,000	7/1/2013
Auto	Fireman's Fund	Liability	1,000,000	12/1/2012
		Uninsured Motorists	1,000,000	12/1/2012

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Schedule of Board Members
September 30, 2012

Name	Office	Residence
James B. Falterman, Jr., M D	Chairman	New Iberia, Louisiana
Mr David W Groner	Vice-Chairman	New Iberia, Louisiana
Mrs. Rachel Gonsoulin	Member	New Iberia, Louisiana
Larry Nelson, M.D	Member	New Iberia, Louisiana
Mr Lynn Minvielle	Member	New Iberia, Louisiana
Mr Ernest Wilson	Member	New Iberia, Louisiana
Mr Burton Cestia, Jr	Member	New Iberia, Louisiana
Mr. Larry Hensgens, Jr.	Member	New Iberia, Louisiana
Mr. Frederick Metz, Jr.	Member	New Iberia, Louisiana

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Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
Hospital Service District No. 1
A component unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
New Iberia, Louisiana

We have audited the financial statements of Hospital Service District No. 1, a component unit of Iberia Parish, State of Louisiana (d/b/a Iberia Medical Center) (the Medical Center) as of and for the year ended September 30, 2012, and have issued our report thereon dated February 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Medical Center is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Medical Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control over financial reporting

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Medical Center's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to the Medical Center's management in a separate letter dated February 28, 2013

This report is intended solely for the information and use of the governing body, management, the Louisiana Legislative Auditor and others within the Medical Center and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

BKD, LLP

February 28, 2013

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Schedule of Findings and Responses
Year Ended September 30, 2012

Reference Number	Finding
	No matters are reportable

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Summary Schedule of Prior Year Audit Findings
Year Ended September 30, 2012

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding
11-1	Criteria or Specific Requirement – Management is responsible for complying with all provisions and requirements as defined by the bond documents Condition – Investments were held in years prior to 2011, during 2011 and at September 30, 2011, that are disallowed by the provisions of the bond documents Context – The bond documents and Louisiana Revised Statute 33 2955 require investments to be issued by a bank that is domiciled or has a branch in Louisiana and to have maturities of less than five years. The Medical Center held investments during the year that violated both of these provisions At September 30, 2011, the Medical Center is holding an investment that was issued by a bank that is not domiciled in nor has a branch in Louisiana All ineligible securities held by the Medical Center during 2011 were identified by management and sold prior to September 30, 2011, however, one settlement was not finished until subsequent to year-end Effect –The bondholders have the right to compel the Medical Center to sell the securities as the holding of ineligible securities is a technical default of a provision in the bond documents Cause – Investments were not investigated for eligibility by Management when purchased Recommendation – The ineligible security held at September 30, 2011, was settled subsequent to year-end. For future investments, management should examine each security prior to purchase to ensure compliance with the provisions of the bond document Status – The ineligible security was sold September 28, 2011, and settled on October 3, 2011

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Board of Commissioners
Hospital Service District No 1
A component unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
New Iberia, Louisiana

In planning and performing our audit of the financial statements of Hospital Service District No. 1, a component unit of Iberia Parish, State of Louisiana d/b/a Iberia Medical Center (the Medical Center) as of and for the year ended September 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the Company's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matters that we consider to be deficiencies.

Deficiencies

Access Controls

A key aspect of the Medical Center's internal controls over financial reporting is limiting access to certain computer system modules and certain functions within those system modules to only those personnel that need access to complete their job requirements. The following item warrants management's attention:

User Access

Due to limitations in the Medical Center's computer system, access to key transaction modules, such as accounts receivable and payroll, are assigned with a single switch, which then assigns all rights accompanying that module to the user profile. Because of this limitation, any user has the ability to perform all functions within a given transaction cycle. Although the IT Manager reviews user access privileges for all departments each month, this does not mitigate the risk of users performing improper procedures. Through 2012, to further mitigate this risk, the Chief Financial Officer began reviewing system access logs. This review is performed on a quarterly basis.

Segregation of Duties

Revenue Transactions Cycle

Some positions in the revenue transactions cycle are able to both authorize and record adjustments to patient accounts. This mix of duties could allow these positions to record unauthorized adjustments. Some personnel also have access to patient payments and have the ability to record adjustments on patient accounts and/or prepare cash receipts listings. This creates a risk that payments will be received but posted as an adjustment on the patient's account or not deposited in a timely manner. To mitigate this risk, we understand management selects random adjustments posted by these individuals and agrees the adjustments to related support.

We understand the Medical Center requires all adjustments over a specific threshold be reviewed by the Chief Financial Officer, which helps limit risk in this area. In an ongoing effort to improve controls through 2012, management ordered random adjustments under the mandatory review threshold be selected and reviewed.

Payroll

Due to system limitations, a single individual can access to all payroll-related activities, such as adding employees, changing pay rates and preparing payroll disbursements. To mitigate this risk, senior management closely reviews all payroll transactions for appropriateness, including department director review of employee additions each pay period and chief financial officer review of payroll change logs each quarter.

Accounts Payable

During the search for unrecorded liabilities, we recognized multiple instances of invoices received after year-end related to the current fiscal year, that were not properly recorded as expenses or assets with a corresponding liability. The items primarily relate to fixed asset purchases, but approximately $31,000 of the invoices tested were related to expense items, therefore, the change in net assets was impacted. The errors in accounts payable cut-off of accounts payable create a risk of material misstatement due to unrecognized liabilities outstanding at the end of the year.

Although the Medical Center has a formal invoice cut-off policy, we recommend that all invoices are received directly by the Accounting Department to be recorded in the proper period.

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments, which in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- Accounts payable and operating expenses
- Accounts payable and capital assets
- Reduction of health-insurance accrual
- Reduction of bond arbitrage payable
- Reduction in estimated third-party payer settlements

The net impact of the entries recorded is approximately $652,000 of additional increase in net assets.

Proposed Audit Adjustments Not Recorded

- Reversal of prior year entries
- Balance sheet reclassification for cash transfers after year end

The net impact of the entries not recorded is approximately $3,000 decrease in net assets.

We recommend management review the causes of these differences to ensure future adjustments are not required and that any future differences for unrecorded items do not become material in future periods.

This communication is intended solely for the information and use of management, the Board of Commissioners and others within the Medical Center, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

February 28, 2013

Iberia
MEDICAL CENTER
2315 East Main Street P. O. Box 13338
New Iberia, LA 70562-3338
phone 337.364.0441
www.iberiamedicalcenter.com

March 4, 2013

BKD, LLP
Certified Public Accountants
14241 Dallas Parkway, Suite 1100
Dallas, Texas 75254-2961

We are providing this letter in connection with your audits of our financial statements as of and for the years ended September 30, 2012 and 2011. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated September, 21, 2012, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

5. We have provided you with:

   (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.

   (b) Additional information that you have requested from us for the purpose of the audit.

   (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

   (d) All minutes of Commissioner's meetings held through the date of this letter.

   (e) All significant contracts and grants.

   (f) All peer review organizations, fiscal intermediary and third-party payer reports and information.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by company procedures with respect to:

   (a) Misappropriation of assets.

   (b) Misrepresented or misstated assets or liabilities.

8. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

9. We have no knowledge of any known or suspected:

   (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.

   (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.

   (c) Communications from regulatory agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices or other matters that could have a material adverse effect on the financial statements.

10. We have no knowledge of any allegations of fraud or suspected fraud affecting the Medical Center received in communications from employees, customers, regulators, suppliers or others.

11. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; principal owners, management, and members of their immediate families, subsidiaries accounted for by the equity method; and any other party with which the Medical Center may deal if the Medical Center can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the Medical Center.

12. Except as reflected in the financial statements, there are no:

    (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.

    (b) Material transactions omitted or improperly recorded in the financial records.

    (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.

    (d) Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.

    (e) Agreements to purchase assets previously sold.

    (f) Capital stock repurchase options or agreements, or capital stock reserved for options, warrants, conversions, or other requirements.

    (g) Restrictions on cash balances or compensating balance agreements.

    (h) Guarantees, whether written or oral, under which the Medical Center is contingently liable.

13. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

14. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

15. We have informed you of all pending or completed investigations by regulatory authorities of which we are aware. We have also informed you of all known circumstances that could jeopardize the Medical Center's participation in the Medicare or other governmental health care programs. We believe that all investigations will have satisfactory results and that the Medical Center's participation in Medicare and Medicaid programs will not be impacted.

16. Adequate provisions and allowances have been accrued for any material losses from:

    (a) Uncollectible receivables.

    (b) Medicare/Medicaid and other third-party payer contractual, audit or other adjustments.

    (c) Reducing obsolete or excess inventories to estimated net realizable value.

    (d) Purchase commitments in excess of normal requirements or above prevailing market prices.

17. Except as disclosed in the financial statements, the Medical Center has:

    (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.

    (b) Complied with all aspects of contractual agreements, for which noncompliance would materially affect the financial statements.

18. With respect to the Medical Center's possible exposure to past or future medical malpractice assertions:

    (a) We have disclosed to you all incidents known to us that could possibly give rise to an assertion of malpractice.

    (b) All known incidents have been reported to the appropriate medical malpractice insurer.

    (c) There is no known lapse in coverage, including any lapse subsequent to the fiscal year-end, that would result in any known incidents being uninsured.

    (d) Management does not expect any claims to exceed malpractice insurance limits.

19. With regard to deposit and investment activities:

    (a) All deposit, repurchase and reverse repurchase agreements and investment transactions have been made in accordance with legal and contractual requirements.

(b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.

(c) We understand that your audit does not represent an opinion regarding the enforceability of collateral pledges.

20. With respect to any nonattest services you have provided us during the year, including assistance with drafting the financial statements and footnotes, cost report preparation and arbitrage calculations:

    (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.

    (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.

    (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.

    (d) We have evaluated the adequacy of the services performed and any findings that resulted.

21. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.

22. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.

23. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.

24. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.

25. We have a process to track the status of audit findings and recommendations.

26. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.

27. We have provided our views on any findings, conclusions and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.

28. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, , has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

29. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events <u>could</u> occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

30. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.

31. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

32. Billings to third-party payers comply in all material respects with applicable coding guidelines, laws and regulations. Billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.

33. With regard to cost reports filed with Medicare, Medicaid or other third parties:

    (a) All required reports have been properly filed.

(b) Management is responsible for the accuracy and propriety of those reports.

(c) All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payers.

(d) The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.

(e) All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.

(f) Recorded allowances for third-party settlements are necessary and are based on historical experience or new or ambiguous regulations that may be subject to differing interpretations.

34. We acknowledge the continued protracted economic decline continues to present difficult circumstances and challenges for the health care industry. Hospitals are facing declines in the fair values of investments and other assets, constraints on liquidity and difficulty obtaining financing. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts receivable, etc. that could negatively impact the Medical Center's ability to meet debt covenants or maintain sufficient liquidity. We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the Medical Center's financial statements. Further, management and the Board are solely responsible for all aspects of managing the Medical Center, including questioning the quality and valuation of investments and other assets, reviewing allowances for uncollectible amounts and evaluating capital needs and liquidity plans.

John A. Tucker

John Tucker, Chief Executive Officer

Stephanie Kirk

Stephanie Kirk, Chief Financial Officer

Client: Iberia Medical Center

Period Ending: September 30, 2012

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Type of Misstatement (Known or Likely)	Assets Current DR (CR)	Assets Non-Current DR (CR)	Liabilities Current DR (CR)	Liabilities Non-Current DR (CR)	Operating Revenues DR (CR)	Operating Expenses DR (CR)	Nonoperating Revenues (Expenses) DR (CR)	Net Assets (Beg. of year) DR (CR)	Invested in Capital Assets, Net DR (CR)	Restricted Net Assets DR (CR)	Unrestricted Net Assets DR (CR)	Net Effect on Following Year: Change in Net Assets DR (CR)	Net Effect on Following Year: Net Assets DR (CR)
Prior Year Adjustments														
Accrued Expenses - Retirement accrual	PY Known						28,021		(28,021)					
Accrued Expenses - Legal fees	PY Known						(25,739)		25,739					
Current Year Adjustments														
To reverse a payment made to the retirement fund after year-end	Known	(177,814)		177,814										
Total passed adjustments		(177,814)		177 814			2,282		(2,282)					

BKD
AWP 330-OV
5-2010

Iberia Medical Center
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	21,670,962	(177,814)	21,493,148	-0.82%
Non-Current Assets	31,617,099		31,617,099	
Current Liabilities	(10,581,417)	177,814	(10,403,603)	-1.68%
Non-Current Liabilities	(13,321,419)		(13,321,419)	
Current Ratio	2.048		2.066	0.88%

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets	53,288,061	(177,814)	53,110,247	-0.33%
Invest in Capital Assets, net of Debt	(15,092,641)		(15,092,641)	
Restricted Net Assets	(2,990,068)		(2,990,068)	
Unrestricted Net Assets	(11,302,516)		(11,302,516)	
Total Net Assets	(29,385,225)		(29,385,225)	

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Operating Revenues	(58,170,939)		(58,170,939)	
Operating Expenses	55,204,957	2,282	55,207,239	
Nonoperating Revenues (Expenses)	(70,934)		(70,934)	
Change in Net Assets	(2,909,543)	2,282	(2,907,261)	-0.08%

Iberia
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March 14, 2013

Office of Legislative Auditor
Attention: Mr. Daryl G. Purpera
1600 North Third
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Hospital Service District No. 1 of Iberia Parish, d/b/a Iberia Medical Center
September 30, 2012 Financial Statement Audit Comments Action Plan

Dear Mr. Purpera:

Please find attached our corrective action plan for Management Letter deficiencies that were a component of our September 30, 2012 financial statement audit. Our response includes a brief summary of the deficiencies, the Medical Center personnel that are responsible for implementing corrective action, the actions we intend to take, the date by which those will happen and specific steps/procedures that we will complete.

Should you have any additional questions, please contact me.

Sincerely,

Stephanie Kirk

Stephanie Kirk
Chief Financial Officer

Hospital Service District No. 1 d/b/a Iberia Medical Center
Corrective Action Plan

Finding Description	Responsible Personnel	Corrective Action Taken or To Be Taken	Date Corrective Action Will be Completed	Specific Steps/Procedures
11-1 Bond Compliance - Investments were held in years prior to 2011, during 2011 and at September 30, 2011, that are disallowed by the provisions of the bond documents	Stephanie Kirk, CFO	1 All ineligible securities were identified by management and sold by October 3, 2011	October 3, 2011	
12-1 Access Controls - Access to key transaction modules are assigned with a single switch	Ross Leleux, IT Director, Stephanie Kirk, CFO	Review of user access by the IT Director and CFO	Ongoing	The IT Director will review user access privileges each month and the CFO will review the system access logs quarterly
12-2 Segregation of Duties - Due to system limitaions and size of departments, single individuals are able to both initiate and record various transactions within the Revenue Cycle and Payroll departments	Amy Gaudet, Rev Cycle Director, Department Directors, Stephanie Kirk, CFO	Revenue Cycle - Review of adjustments by the CFO Payroll - Review of employee additions by department directors and review of payroll change logs quarterly by CFO	Ongoing	Revenue Cycle - All adjustments >$10,000 are reviewed by the CFO each month Also, management selects random adjustments less than the mandatory review threshold and reviews the related support for each Payroll - Department directors review employee additions each pay period for appropriateness In addition, the CFO reviews payroll change logs quarterly
12-3 Accounts Payable - Invoices received after year end were not properly recorded as expenses or assets with a corresponding liability	Amy Legendre, Controller Stephanie Kirk, CFO	All invoices will be received by the Accounting Department to ensure that all are recorded in the proper period	Ongoing	The controller will also review AP report in the subsequent month during month end close to ensure that all expenses or assets are recorded in the proper period
12-4 Investment in Joint Venture - Adjustment of investment in New Iberia Surgery Center to center's financial statements	Amy Legendre, Controller Stephanie Kirk, CFO	Ensure that the hospital's investment in New Iberia Surgery Center reflects the NISC financial statements	March 31, 2013	Will continue to request timely financial statements from NISC to ensure that the investment in joint ventures is properly reported on the hospital financial statements in order to avoid estimated accruals
12-5 Self Insurance Liability - Adjustment to reduce accrual of health insurance claims to be paid	Amy Legendre, Controller Stephanie Kirk, CFO	Ensure that the liability on the financial statements properly reflects the claims outstanding	February 28, 2013	Controller will use the claims lag report to ensure that the liability recorded on the books is consistent with claim payment history
12-6 Cost Report Liability - Adjustment to reduce liability of amount due to/from the Medicare and Medicaid programs	Amy Legendre, Controller Stephanie Kirk, CFO	Ensure that the amounts due to/from the Medicare & Medicaid programs are properly stated	February 28, 2013	Controller will reconcile the liability on the financial statements to properly reflect the amounts due to/from the Medicare & Medicaid programs as cost reports are settled
12-7 Bond Arbitrage Costs - Adjustment to reduce accrual of bond arbitrage expense	Amy Legendre, Controller Stephanie Kirk, CFO	Ensure that the liability on the financial statements properly reflects amount due related to bond arbitrage	February 28, 2013	Controller will adjust amounts due related to bond arbitrage as notified